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Big City

Diner-dance club opens in Manhattan

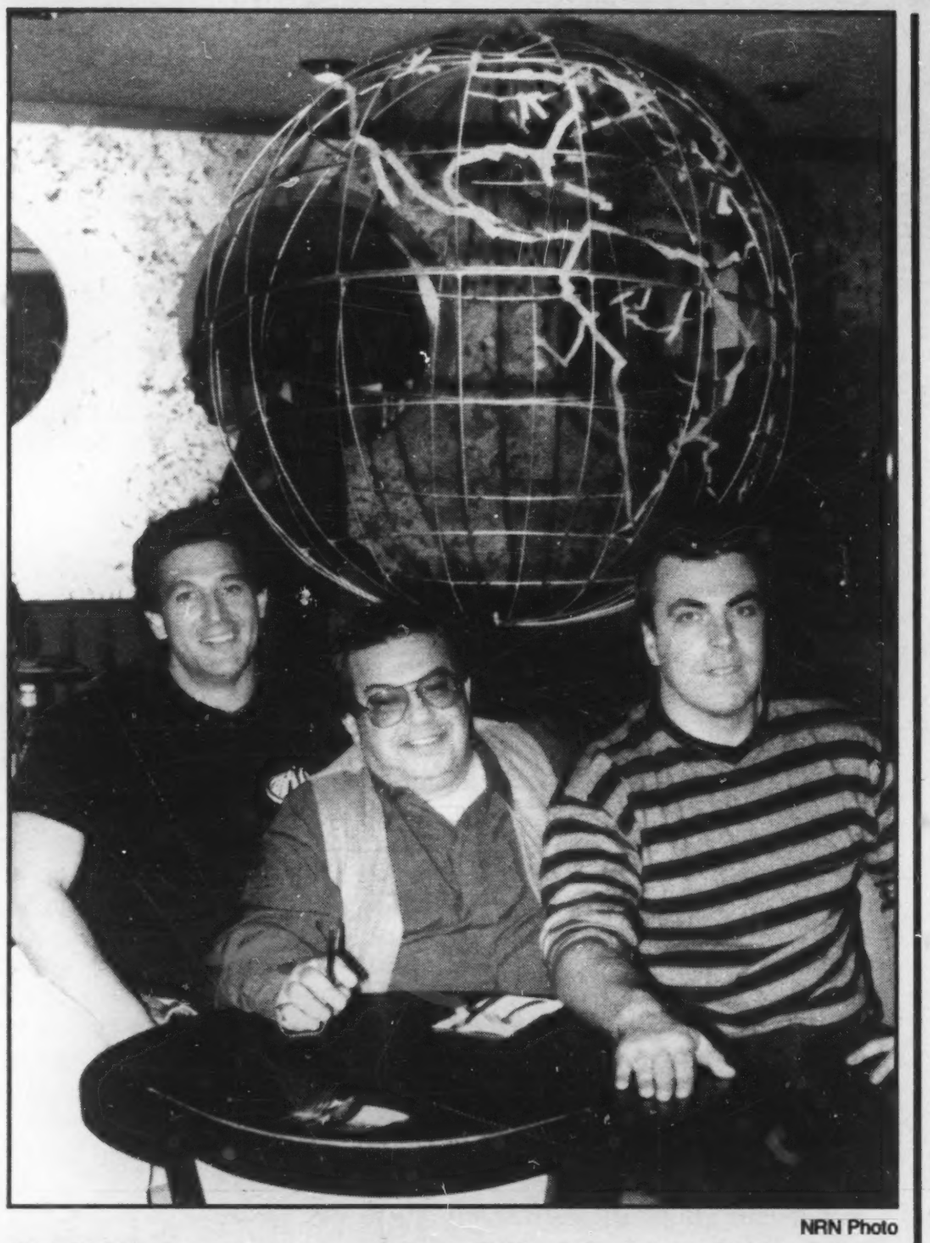
by Paul Frumkin

NEW YORK — While mock-'50s diners continue to draw urban crowds with their neon blast-from-the-past style and revisionist roadhouse menus, a group of veteran Manhattan operators are hoping to push the diner concept into the '90s by replacing the grease with a healthy shot of glitz.

Members of the Zelin family — a Manhattan diner dynasty since the 1930s — together with the owners of the popular but short-lived downtown club, Horatio 113, have launched the Big City Diner, a combination diner-cabaret-dance club.

Located at the corner of 11th Avenue and 43rd Street in the former Market Diner — the favored haunt of cabbies, truckers and limo jockies cruising the westernmost reaches of Hell's Kitchen — Big City looks like nothing so much as an ordinary suburban coffee shop that had been

(See BIG CITY, page 77)



NRN Photo

Big City Diner co-owners Jeffrey Zelin, left, Asher Zelin and Mark Morgan in The Unisphere Room.

Operators plot expansion push

Seek to capitalize on real estate, construction slumps

by Milford Prewitt

Unrestrained by fears of recession or foodservice's persistent sales malaise, several restaurant companies are taking advantage of soft real-estate markets and less expensive development deals to unleash major expansion drives.

Among the chains seeking to grow aggressively are Chili's, Shoney's, Subway, Showbiz Pizza Time, Applebee's, Blimpie's, Rally's, Ruby Tuesday and Arby's.

"From a strategic standpoint, this is a chance to improve your position in the market," said Jim Parish, chief financial officer of Chili's, the dinner-house chain that plans to grow by 25 restaurants, or 10 percent during the coming year. "It's an opportunity to find real estate at reduced prices."

Delis grab space in office buildings
See story on page 3

Corporate planners point out that commercial real-estate prices have fallen all over the country as a result of overbuilding and the failure or relocations of businesses. They report that developers and landlords are willing to grant lower rents or cut their sales prices to fill sites that may otherwise lie vacant.

Moreover, restaurant executives who travel in search of new sites report that idle contractors are happy to sub-

(See EXPANSION, page 7)

Team USA cops cup at Luxembourg cookoff

by Jack Hayes

LUXEMBOURG — Betting their culinary reputations on a cup of citrus yogurt, a bowl of fish soup and a $2.50 plate of barbecued short ribs, the members of 1992 Team USA outcooke[illegible] of Switzerland, Germany and 20 other fierce international competitors to win America's second consecutive Culinary World Cup at Expo Gast '90 here.

The U.S. team — cooking together only six months and competing in its first major international competition — captured gold medals in both the hot- and the cold-food events, with scores of 36.5 and 38.5, respectively.

The five members of the U.S. squad were Michael Russell executive chef at the Skyline Club in Detroit (Midwest and team captain); Keith Coughenour, senior saucier, the Greenbrier, White Sulphur Springs, W.Va. (Southeast); Alex Darvishi, executive chef, Athletic Club of Columbus, Columbus, Ohio (Northeast); Franz Poepperl, partner in Poepperl, Keppler Associates, Portland, Ore. (West); and Martha Crawford, assistant pastry chef, Desserts International, Exton, Pa. (pastry).

Team USA's coach was Roland Henin, corporate chef at

(See TEAM USA, page 76)

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Chains cut back on coupons

Major burger operations hope to rejuvenate profit margins

by Peter Romeo

In the struggle to wring profits out of a torpid market, several major burger chains are curbing their reliance on discounting in hopes of rebuilding margins.

Newfound restraint by Hardee's, Wendy's and Burger King could temper the price wars that have established discounting as one of the signature foodservice marketing techniques of 1990.

But observers question whether those players can continue to curtail their deal-making activities in the face of increased price cutting by segment-ruler McDonald's. Fast feeding's Babe Ruth has been charging as little as 49 cents for a hamburger in some markets, while dropping the price of its highly popular children's meals in selected locations by more than a dollar, to less than $2.

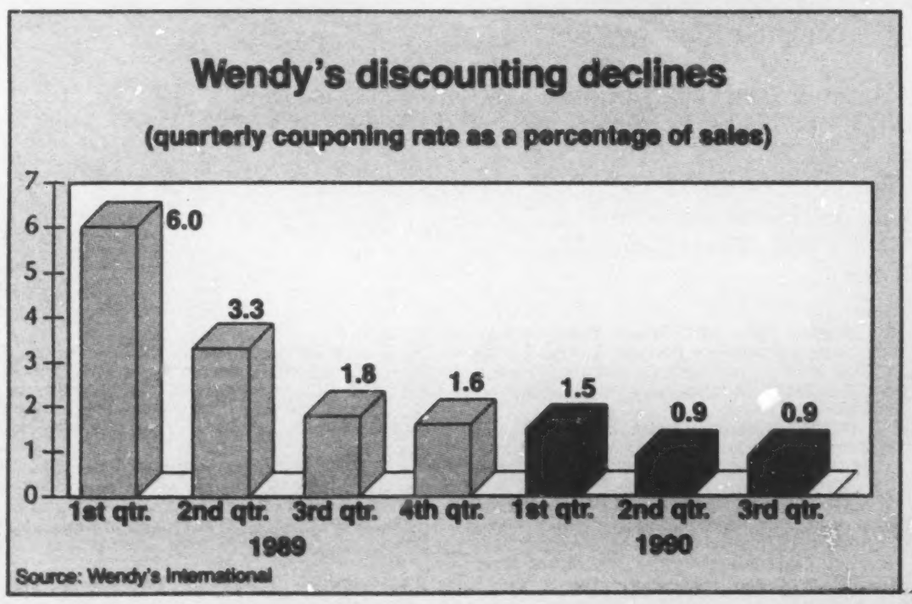
"If McDonald's were able to lower its prices on a permanent or even semipermanent basis and put its marketing muscle behind those deals, it would have to hurt the other chains," said Steve Rockwell, the restaurant analyst for Baltimore's Alex. Brown & Sons brokerage.

"The whole cycle of discounting will not end anytime soon, given that salvo of McDonald's joining in," said Nancy Kruse, a principal of the Technomic consulting and research concern in Chicago.

With a marketing budget that exceeds the combined advertising expenditures of its three closest rivals in the burger segment, McDonald's had been able to forgo much of the price cutting that other players have employed to counter slackening traffic.

"The smaller chain that doesn't have the marketing

(See COUPONING, page 77)



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NEWS BRIEFS

Industry sales slightly outpace menu price hikes

WASHINGTON — Sales at eating and drinking places rose at an annual, unadjusted rate of 4.8 percent in October, eight-tenths of a percent higher than September's rate but 1.5 percent lower than August's, according to the Department of Commerce.

The Labor Department, meanwhile, found that menu prices rose 4.6 percent in October on a year-to-year unadjusted rate, just one-tenth of a percent higher than September's, according to the department's monthly consumer price index, the most important gauge of the nation's inflation rate.

When October's 4.8-percent sales gain at eating and drinking places is discounted against the 4.6-percent jump in menu prices, then restaurant traffic apparently rose a barely detectable two-tenths of a percent in October.

Meanwhile, food at home, or grocery store prices, rose 6.4 percent in October.

Popeyes licensee group files lawsuit against Copeland

NEW ORLEANS — The Independent Popeyes Franchisees Group, a group composed of more than 200 Popeyes Famous Fried Chicken franchisees nationwide, has filed a lawsuit against franchisor Al Copeland Enterprises Inc.

The complaint, filed in the Eastern District of Louisiana, alleges separate violations of federal and state anti-trust and trade regulation statutes — as well as common law claims. The franchisee group, formed last year to promote the strength and welfare of the Popeyes system, has been in negotiations with Copeland to resolve what it calls "wide differences presently separating the group members and the franchisor."

The group's action comes at a time when Copeland is struggling to restructure its huge debt load from last year's buyout of Church's to avoid Chapter 11 bankruptcy protection.

McDonald's tests low-fat hamburger

HARRISBURG, Pa. — Exploiting a breakthrough in meat-processing technology, McDonald's has launched a 54-unit test here of a new reduced-fat meat patty.

Called the Lean Deluxe, the new product has a 9-percent fat content, compared with a level of approximately 20 percent for a conventional burger of comparable size.

The fat has been replaced with a water-food additive mixture that gives the meat the same taste as a regular piece of ground beef, according to the Auburn University technologists who helped develop it.

The researchers said that their low-fat ground beef was further refined by McDonald's. They also said they expect the product to be adopted by other fast feeders and specified that government officials have been eying the meat for use in the national school lunch program.

Earlier this year, Hardee's introduced a low-fat burger called the Lean One. The sandwich has about 30 percent of the fat of a conventional Hardee's hamburger.

NY city council eyes labeling bill

NEW YORK — The New York City Council is considering a bill that would require each restaurant to offer either a highly detailed printed menu or one on the wall. Restaurateurs would also be required to post one outside their establishments.

The menus would have to list all drink and pitcher quantities as well.

The New York City Chapter of the New York State Restaurant Association blasted the bill as unnecessary, uncalled for and virtually impossible to implement. "This is legislation in search of a problem," president Fred Sampson said. "The dining public as a whole is not concerned over the exact type and quantity of spice used in every dish."

Sampson also noted that the bill's strict listing requirements would pose problems for restaurants that frequently change their menus and offer specials.

Top O'Toole's execs quit; Sisson named president

TORONTO — O'Toole's Group Inc., operator and franchisor of more than 100 O'Toole's Roadhouse restaurants, said founder, chief executive and president Gordon Metcalfe and executive vice president David Sisco have resigned.

Mother's Restaurants founder Grey Sisson has been named chief executive and president, succeeding Metcalfe, who founded the company in 1983. Sisson has been a member of the O'Toole's board and executive committee for three years.

Metcalfe, who, the company said, left to spend more time on new ventures with which he is involved, and Sisco also resigned as directors of the company. Metcalfe, Sisco and Ken Fowler Enterprises Ltd. have revamped their voting arrangements whereby Metcalfe and Sisco will now vote all shares they control in accordance with the direction of Ken Fowler Enterprises.

Laventhol & Horwath firm to disband

PHILADELPHIA — Laventhol & Horwath, an accounting and consulting firm that specializes in the hospitality industry, is seeking to disband in the face of hefty lawsuits by disgruntled clients, according to news reports.

A New York Times article said the firm was also planning to seek protection from creditors under Chapter 11 of the bankruptcy code.

The moves were reportedly plotted during a meeting in Houston of L & H's 350 partners.

L & H would neither confirm nor deny the news accounts.

"At this time we cannot comment on any business plans discussed at the meeting," Bob Levine, the firm's executive partner and chief executive, said in a prepared statement.

The nation's eighth-largest accounting firm has performed scores of hotel feasibility studies and audited the books of thousands of inns and restaurants.

Dissatisfied with some of that work, several clients, including evangelist Jim Bakker and the owners of the famed Biltmore hotel in Phoenix, have sued the firm.

Wyatt names new chairman, prexy

DALLAS — Paul Kopecky Sr. has been named chairman of the board and chief operating officer of Wyatt Cafeterias Inc. here, replacing H.L. Packer, who is retiring.

Kopecky, who is a 34-year veteran of Wyatt's, was formerly the company's executive vice president of operations.

In other moves, Mark Shackleford was named president of the company, filling the shoes of George DeShazo, who is also retiring. Shackleford, the former vice president of administration, will retain the title of chief financial officer.

"Two of us will essentially be doing the job that four of us were doing," Shackleford said. "Then we can use those funds for further expansion."

The announcement comes on the heels of the debut of the company's fifth concept, the self-serve Blue Ribbon Buffet, which opened this month in Houston.

Daka founder Vince retires as chairman

WAKEFIELD, Mass. — Terry Vince, the founder of Daka International, is retiring as chairman and chief executive officer of the company that oversees several hundred contract feeding accounts and the Fuddrucker's gourmet burger chain.

Vince, 62, who founded the company in 1973, will remain on Daka's board in the capacity of chairman emeritus. His vacancy will be filled by William H. Baumhauer, the current president of Daka International.

Allen Maxwell, the company's executive president, was named as Baumhauer's replacement.

NEWS

Expansion plans in the works for chains

(Continued from page 1)

mit low bids on conversion and construction jobs to land the work.

All of that has tempted some companies to keep growing under the presumption of improved sales-to-investment ratios. Whereas the industry once regarded a ratio of 1.3 or 1.4 as outstanding, chains such as Shoney's are today realizing ratios of 1.75.

The sales-to-investment ratio for Wendy's, in contrast, is about 0.9, according to company figures. The franchisors have opened only 20 units this year, and the whole chain has expanded by less than 2 percent.

For some of the operators plotting aggressive growth, the rate of expansion may top their mid-1980s expansion rate.

For example, between 1984 and 1985 Shoney's opened 65 stores. In the coming year the company is looking to add 105 new units to the 734-unit chain.

Arby's growth plans call for 230 new stores over the course of next year, or 56 percent more units than the 147 outlets it opened between 1984 and 1985.

Its expansion plans are more ambitious than those of the industry's as a whole.

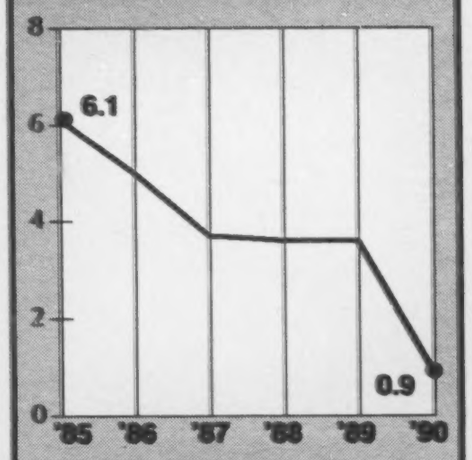
According to the Restaurant Consulting Group, Evanston, Ill., the entire industry is opening fewer units in 1990 than it did in each of the prior five years. After growing by 6.1 percent in 1985, the universe of restaurants is projected to grow by 0.9 percent in 1990, RCG's data show.

Last year the industry grew by 3.6 percent, according to the numbers.

The figures suggest that a shakeout is very much under way.

For the most part, the expanding companies are among the industry's healthiest concerns. Either they have rich parents who are willing to finance their drives, or they have labored quietly to reduce debt and expenses.

Total industry restaurant growth since 1985
(as a percent of 160,000 chain restaurants)



Source: Restaurant Consulting Group, Evanston, Ill.

Some who are expanding despite recession fears

Chain	1990 fiscal year-end chain size	1990 projected new unit growth	Percent change
Rally's	228	71	31%
Blimpie's	435	100	22
Ruby Tuesday's	140	27	19
Shoney's	734	105	14
Chili's	235	25	10
Applebee's	153	16	10
Arby's	2,270	230	10
Subway	5,000	500	10
ShowBiz Pizza	270	21	7

(Source: Company reports and NRN research)

Some operators argue that the typical span of a recession — about 1.5 to 2 years — is too short to justify the restriction of chain growth.

"You can't make a long-term spending decision on whether there's a recession or not," said Shoney's Henry. "A restaurant is a 20-year investment and will still be there long after the recession is gone."

In addition, some asserted that an economic downturn would not hamper their concepts.

Abe Gustin, president of Applebee's, the 150-unit casual-theme restaurant chain that prefers sites in residential neighborhoods, noted that the casual-theme segment is well suited to prosper during a recession.

"We can profit from a recession because in a recession people will be abandoning the high-dollar, big-ticket restaurants for high-quality places at a lower price point," Gustin said, noting that the company will add 12 restaurants during 1990, at a per-unit start-up cost between $700,000 and $1.3 million.

"At the same time, we are close enough to the fast-food industry in price point to give a family a high-quality alternative," Gustin continued.

The casual dining segment will expand at three times the rate of the whole restaurant industry in 1990, RCG noted. Excluded from its classification of casual are seafood and Italian dinner houses.

Showbiz's Magusiak, who noted that the chain's typical start-up cost is about $750,000, said ShowBiz's confidence in the Chuck E. Cheese chain brand is the underlying rationale for the chain expansion.

"I think it is really a question of how you are positioned in your market and if you feel good about where you are in the market," he said. "If you're in a good position, as we are, there's the chance to come out of a troubled economy even stronger."

Robert D. McClenaghan, president of the Ruby Tuesday division of Morrison Inc., agreed with Magusiak and others who asserted that a recession holds the possibility for companies to emerge as stronger competitors. But, he added, the opportunity has to be aggressively pursued.

"You can't argue with the theory that it's possible to come out of a recession in better shape," said McClenaghan, whose chain plans to add 27 units next year. "But given the shape of the economy right now, we're going to have to demand a better deal [with landlords and developers] in order to make the unit a viable return on investment.

"So while the buyer is contemplating working out a better deal, the seller, the landlord and the developers are not yet convinced that they are in a position that requires them to yield. I think it's going to take a little more time before it sinks in."

Christopher Volk, the vice president of the Franchise Finance Corp., a Phoenix-based group that specializes in finding long-term financing to develop restaurant properties, said in some ways the maturity of the industry, more so than recession, is prompting companies to keep their expansion going full steam.

"This is no longer a growth industry," Volk said. "Market share is extremely important, and the way to build and keep market share is to open stores."

But Herman Cain, president of Godfather's Pizza, said the recession and the industry's sluggishness should prompt small- to medium-sized companies to be extra careful.

"We have to be careful because in an industry that has both matured and now faces a slowdown, this a good time for the big guys to crush the small guys," he said. "But if you have a well-focused strategy, you should stick to it. This is not a time to panic or do anything radical."

Independents eye new equipment at NY show

(Continued from page 3)

numbers, and they are not good. But I think what has helped us and given us the confidence to open another place is our price point and our concept — we're just a basic, old-fashioned, Italian restaurant, where you can have a great dish of pasta and glass of wine for under $30.

"Now we want to try it in the suburbs," he added.

Another operator with even more ambitious plans was New Yorker Bill Bitting, who is developing a 20,000-square-foot, indoor golf-and-amusement center with a 110-seat full-service restaurant and other eating spots on the premises.

Bitting, who said he had several missions at the show — including enticing investors — said his $3 million complex, to be called the Park Avenue Country Club, is already under construction in Manhattan's Chelsea neighborhood and will be "the largest indoor golf facility in the world."

"Why build a $3 million complex like this in a time of recession?" Bitting asked rhetorically. "Because no matter what the economy is doing, people still like to be entertained. If you look at the Depression, that is when golf boomed.

"You think a place like the Hard Rock is going to know there's a recession going on? I think what it shows is that people want to be entertained."

Along with golf and restaurants, the Park Avenue Country Club will also feature a putt-putt course with Manhattan-themed traps and obstacles, golf simulators, a barber shop and shoe shine stands.

With plans a little less flashy than Bitting's but equally eager to expand operations was Hellmut Theil, the general manager of Lucille's, a continental restaurant in Thorndale, Pa., a Philadelphia suburb.

Theil said the company for which he works opened five restaurants in the past eight years and is working on the sixth.

> **"You know, tough times just might be the best time to start your own business."**
> **— Holley**

"What's happening in our market is that there are some good deals to be made with people who are getting out of the restaurant business," Theil explained. "Lucille's itself has been opened for a year and a half, and business is strong and can only get better when the bad times are over."

Robert A. Durkin, chef-owner of Karen N Lee, an 88-seat restaurant with a contemporary American menu in Bridgehampton, N.Y., was hoping to become the first operator to offer rotisserie chicken, in both takeout and full-service modes, to diners on eastern Long Island.

He said he wants to open a new restaurant early next year and was scouting through the aisles of exhibits for rotisserie equipment.

"We opened [Karen N Lee] in a soft market, and we did strong volume from day one," Durkin said. "But I like what I hear about rotisserie. What I want to do is open a local place with rotisserie that is up from fast food but down from upscale. So I'm here looking for the equipment."

Two sisters with more than 30 years in the catering business were also scanning the booths for items to help them launch their own restaurant.

"You know, tough times just might be the best time to start your own business," said Deborah Holley, noting that she and her sister intend to open a restaurant in Queens, N.Y., and name it after their mother, Pearl.

While the independent operators exhibited confidence over their ability to do business in a soft market, executives from some of the larger restaurant companies displayed a sense of caution at the show.

Steve Leipsner, president of Service America, the giant contract feeder based in Stamford, Conn., warned that the recession will force companies to improve their internal operations and focus on customer service rather than continuing to expand.

Although Service America is still eager to secure new clients, Leipsner said that what may be more important during a soft market is improving the business with the ones the company has.